

**JEFFERSON-SCRANTON
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

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JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2008 Election)

Teresa Hagen	President	2008
Mike Holden	Vice President	2009
David Pedersen		2009
Sam Harding		2008
Kevin Neal		2009

(After September 2008 Election)

Mike Holden	President	2009
Sam Harding	Vice President	2011
Teresa Hagen		2011
David Pedersen		2009
Kevin Neal		2009

School Officials

Tim Christensen	Superintendent
Brenda Muir	District Secretary
Sid Jones	District Treasurer

BRUCE D. FRINK
Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Jefferson-Scranton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jefferson-Scranton Community School District, Jefferson Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jefferson-Scranton Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2009 on our consideration of Jefferson-Scranton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 38 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson-Scranton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

November 12, 2009

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Jefferson-Scranton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,120,838 in fiscal 2008 to \$10,841,502 in fiscal 2009, while General Fund expenditures increased from \$10,402,054 in fiscal 2008 to \$10,650,452 in fiscal 2009.
- General Fund revenues increased in all areas, however, the largest area of growth was from local taxes. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The increase in the undesignated unreserved General Fund balance is primarily attributable to increased revenues.
- The District continues its sharing arrangement with Paton-Churdan Community School District for grades 9-12 for a half-day or more of education - students from Paton-Churdan are transported to Jefferson-Scranton High School.
- The District expanded its 28E sharing agreement with East Greene Community School District for various high school courses.
- The District passed the School Infrastructure Local Option Sales Tax for Greene County. The tax was implemented July 1, 2004. The statewide sales and service tax began in July, 2009. Proceeds are being used for various projects throughout the District as well as property tax relief. This was extended by the voters through June 30, 2022. The District did not levy the Physical Plant and Equipment Levy property tax during fiscal 2009, but has resumed the levy for fiscal 2010.
- Interest earned on General Fund monies decreased over \$150,000 due to the decrease in interest rates.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Jefferson-Scranton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Jefferson-Scranton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Jefferson-Scranton Community School District acts solely as an agent or custodian for the benefit of employees.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

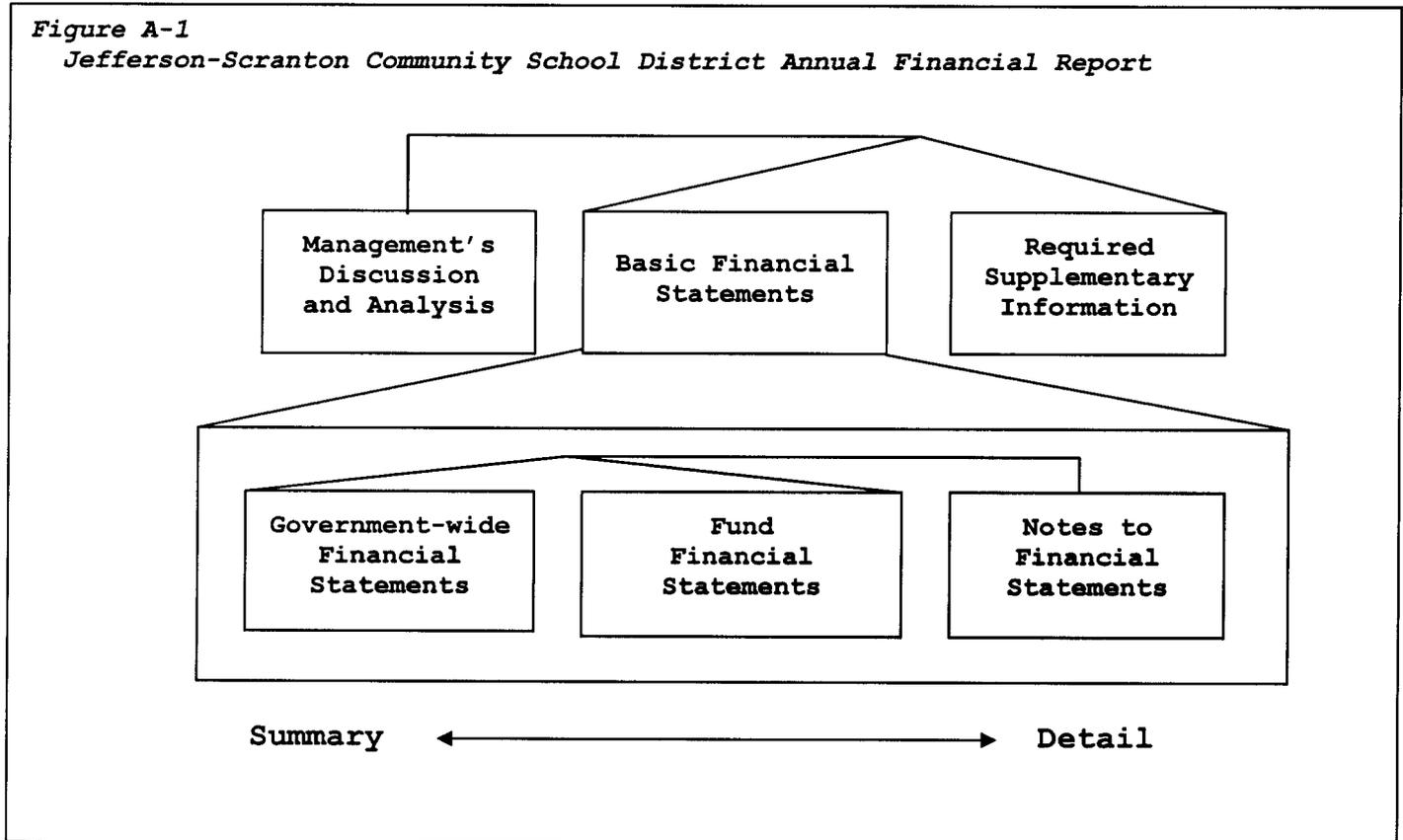


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and Industrial Technology	Instances in which the district administers resources on behalf of someone else, the flex spending program is shown here
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and industrial technology construction are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Industrial Technology Construction Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for employee flex spending in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 9,605	8,631	321	202	9,926	8,833	12.37%
Capital assets	<u>8,348</u>	<u>7,867</u>	<u>39</u>	<u>35</u>	<u>8,387</u>	<u>7,902</u>	<u>6.14%</u>
Total assets	<u>17,953</u>	<u>16,498</u>	<u>360</u>	<u>237</u>	<u>18,313</u>	<u>16,735</u>	<u>9.43%</u>
Current liabilities	8,148	6,871	42	1	8,190	6,872	19.18%
Non-current liabilities	<u>3,780</u>	<u>4,137</u>	<u>-</u>	<u>-</u>	<u>3,780</u>	<u>4,137</u>	<u>-8.63%</u>
Total liabilities	<u>11,928</u>	<u>11,008</u>	<u>42</u>	<u>1</u>	<u>11,970</u>	<u>11,009</u>	<u>8.73%</u>
Net Assets							
Invested in capital assets, net of related debt	4,631	3,736	39	35	4,670	3,771	23.84%
Restricted	902	1,443	-	-	902	1,443	-37.49%
Unrestricted	<u>492</u>	<u>311</u>	<u>279</u>	<u>201</u>	<u>771</u>	<u>512</u>	<u>50.59%</u>
Total net assets	<u>\$ 6,025</u>	<u>5,490</u>	<u>318</u>	<u>236</u>	<u>6,343</u>	<u>5,726</u>	<u>10.78%</u>

Unrestricted net assets increased by over \$250,000, primarily due to an increase in the General Fund of almost \$200,000. Restricted assets decreased as a result of using bond proceeds from fiscal 2008 to complete building and remodeling projects in fiscal 2009.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for service and sales	\$ 857	863	313	480	1,170	1,343	-12.88%
Operating grants, contributions and restricted interest	2,179	1,965	285	235	2,464	2,200	12.00%
General revenues:							
Property tax	4,236	3,813	-	-	4,236	3,813	11.09%
Income surtax	368	320	-	-	368	320	15.00%
Local option sales tax	608	591	-	-	608	591	2.88%
Unrestricted state grants	4,218	4,145	-	-	4,218	4,145	1.76%
Unrestricted investment earnings	39	88	-	-	39	88	-55.68%
Other	57	15	-	-	57	15	380.00%
Total revenues	<u>12,562</u>	<u>11,800</u>	<u>598</u>	<u>715</u>	<u>13,160</u>	<u>12,515</u>	<u>5.15%</u>
Program expenses:							
Governmental activities:							
Instruction	7,528	7,100	-	-	7,528	7,100	6.03%
Support Services	3,327	3,361	-	-	3,327	3,361	-1.01%
Non-instructional programs	13	13	515	703	528	716	-26.26%
Other expenses	1,159	1,304	-	-	1,159	1,304	-11.12%
Total expenses	<u>12,027</u>	<u>11,778</u>	<u>515</u>	<u>703</u>	<u>12,542</u>	<u>12,481</u>	<u>0.49%</u>
Change in net assets	<u>\$ 535</u>	<u>22</u>	<u>83</u>	<u>12</u>	<u>618</u>	<u>34</u>	<u>1817.65%</u>

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses. This is an indicator of the District's commitment of spending monies where they most directly affect students.

Governmental Activities

Revenues for governmental activities were \$13,160,747 and expenses were \$11,983,686 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 7,528	7,100	6.03%	4,934	4,724	4.45%
Support services	3,327	3,361	-1.01%	3,304	3,334	-0.90%
Non-instructional programs	13	13	0.00%	13	13	0.00%
Other expenses	1,159	1,304	-11.12%	740	879	-15.81%
Totals	\$ 12,027	11,778	2.11%	8,991	8,950	0.46%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$857,166.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,765,702.
- The net cost of governmental activities was financed with \$4,235,985 in property tax, \$4,217,962 in state foundation aid, and \$38,509 in interest income.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$598,320 and expenses totaled \$515,788. The District's business type activities include the School Nutrition and Industrial Technology Construction Funds. School Nutrition revenues were comprised of charges for service, federal and state reimbursements and investment income. Industrial Technology revenues come from the sale of a student built house each year. Total revenues were down as the student built house for fiscal 2009 had not yet been sold.

INDIVIDUAL FUND ANALYSIS

As previously noted the Jefferson-Scranton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,159,103, 23% less than last year's ending fund balances of \$1,507,149. This was primarily due to a decrease in the Capital Projects Fund as a result of completing construction projects that were funded in prior years.

Governmental Fund Highlights

- The District attempted to maintain its General Fund balance by increasing property taxes and cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items. However, inadequate state aid and mid year cuts caused the District's General Fund to only increase by approximately \$190,000. The District had hoped to achieve a positive undesignated fund balance at June 30, 2009.

- The collection of the local option sales tax allowed the District to discontinue its Physical Plant and Equipment Levy property tax asking. However, this levy will be restarted in fiscal 2010 in order to allow for proper facility maintenance and equipment needs.
- Sharing with neighboring high schools continues to bring in additional revenues.

Proprietary Fund Highlights

The District was unable to sell the fiscal 2009 student built house. The Nutrition Fund has maintained a positive balance by careful monitoring food and salary costs. The District has attempted to maintain prices at a reasonable level.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service, Capital Projects and Special Revenue Funds are not presented in the budgetary comparison on pages 38 through 39.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$140,000 greater than the total budgeted receipts. The most significant change resulted in the District receiving more in federal revenues than originally anticipated. This was partially due to the federal economic stimulus program.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

The District will have a deficit spending authority of approximately \$260,000 at June 30, 2009. This will require further monitoring of expenses and looking for other revenue streams other than tax dollars.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2009, the District has invested more than \$8.3 million, net of accumulated depreciation, in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$460,000.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 70	70	-	-	70	70	0.00%
Land improvements	142	174	-	-	142	174	-18.39%
Buildings	7,114	4,784	-	-	7,114	4,784	48.70%
Construction in progress	-	1,909	-	-	-	1,909	-100.00%
Furniture and equipment	1,021	930	39	35	1,060	965	9.84%
Totals	\$ 8,347	7,867	39	35	8,386	7,902	6.13%

Long-Term Debt

The \$2.2 million dollar general obligation bond issue will mature June 2010. The District issued \$3,195,000 of revenue bonds in 2007. Payments of principal will begin fiscal 2010. The District's capital leases will be paid off over the next two years.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$ 400	800	-50.00%
Revenue bonds	3,195	3,195	0.00%
Leases and notes payable	122	136	-10.29%
Total	\$ 3,717	4,131	-10.02%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is experiencing decreasing enrollment the past several years.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired). A solution needs to be found.
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

- Voters in Greene County approved a 1-cent School Infrastructure Local Option (SILO) Sales tax in September 2003. The Greene County SILO tax went into effect on July 1, 2004. This has allowed the District to decrease property tax asking.
- State aid cuts in fiscal 2009 and fiscal 2010 after budgets were already in place have caused major problems as the District is unable to adjust its spending at that time.
- Increased course sharing with the East Greene Community School District at the high school level is providing additional income.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brenda Muir, District Secretary, Jefferson-Scranton Community School District, 204 W Madison St, Jefferson, IA 50129.

Basic Financial Statements

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 1,799,706	51,232	1,850,938
ISCAP investments	2,806,298	-	2,806,298
Receivables:			
Property tax:			
Current year	63,231	-	63,231
Succeeding year	4,371,430	-	4,371,430
Income surtaxes	300,301	-	300,301
Due from other governments	310,739	-	310,739
Other receivables	7,457	6,725	14,182
Interfund receivable	27,406	(27,406)	-
ISCAP accrued interest receivable	7,472	-	7,472
Inventories	-	263,335	263,335
Capital assets, net of accumulated depreciation	8,347,559	39,249	8,386,808
Total assets	<u>18,041,599</u>	<u>333,135</u>	<u>18,374,734</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	6,101	14,451	20,552
Interfund payable	-	-	-
Accrued salaries and benefits	1,042,599	-	1,042,599
Accrued interest payable	1,901	-	1,901
ISCAP warrants payable	2,755,000	-	2,755,000
ISCAP accrued interest payable	57,637	-	57,637
Deferred revenue:			
Succeeding year property tax	4,371,430	-	4,371,430
Federal programs	1,869	-	1,869
Long term liabilities:			
Portion due within one year:			
General obligation bonds payable	400,000	-	400,000
Revenue bonds payable	100,000	-	100,000
Early retirement	19,399	-	19,399
Capital lease payable	60,047	-	60,047
Portion due after one year:			
Revenue bonds payable	3,095,000	-	3,095,000
Net OPEB liability	43,641	-	43,641
Capital lease payable	61,783	-	61,783
Total liabilities	<u>12,016,407</u>	<u>14,451</u>	<u>12,030,858</u>
Net assets:			
Invested in capital assets, net of related debt	4,630,729	39,249	4,669,978
Restricted for:			
Categorical funding	36,645	-	36,645
Management levy	82,751	-	82,751
Capital projects	742,520	-	742,520
Debt service	40,068	-	40,068
Unrestricted	492,479	279,435	771,914
Total net assets	<u>\$ 6,025,192</u>	<u>318,684</u>	<u>6,343,876</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses					
\$ 7,528,099	855,075	1,739,894	(4,933,130)	-	(4,933,130)
Functions/Programs:					
Governmental activities:					
Instruction					
Support services:					
Student services	400,229	-	(400,229)	-	(400,229)
Instructional staff services	200,084	-	(200,084)	-	(200,084)
Administration services	1,192,834	-	(1,192,834)	-	(1,192,834)
Operation and maintenance of plant services	1,039,669	20,811	(1,018,858)	-	(1,018,858)
Transportation services	494,007	-	(491,916)	-	(491,916)
	3,326,823	20,811	(3,303,921)	-	(3,303,921)
Non-instructional programs:					
Community service operations	10,000	-	(10,000)	-	(10,000)
Food service operations	3,368	-	(3,368)	-	(3,368)
	13,368	-	(13,368)	-	(13,368)
Other expenditures:					
Facilities acquisition and construction	151,806	36,149	(115,657)	-	(115,657)
Long-term debt interest	171,812	994	(170,818)	-	(170,818)
Long-term debt services	500	-	(500)	-	(500)
AEA flowthrough	381,564	381,564	-	-	-
Depreciation (unallocated)*	453,355	-	(453,355)	-	(453,355)
	1,159,037	418,707	(740,330)	-	(740,330)
Total governmental activities	12,027,327	2,179,412	(8,990,749)	-	(8,990,749)

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	488,105	223,667	285,060	-	20,622	20,622
Industrial technology construction	27,683	89,593	-	-	61,910	61,910
	515,788	313,260	285,060	-	82,532	82,532
Total	\$ 12,543,115	1,170,426	2,464,472	(8,990,749)	82,532	(8,908,217)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,582,282	-	3,582,282
Management fund				225,060	-	225,060
Debt service				428,643	-	428,643
Income surtaxes				368,404	-	368,404
Statewide sales and services tax				608,093	-	608,093
Unrestricted state grants				4,217,962	-	4,217,962
Unrestricted investment earnings				38,509	-	38,509
Other				56,896	-	56,896
Total general revenues				9,525,849	-	9,525,849
Change in net assets				535,100	82,532	617,632
Net assets beginning of year				5,490,092	236,152	5,726,244
Net assets end of year				\$ 6,025,192	318,684	6,343,876

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 807,768	34,136	592,148	365,654	1,799,706
ISCAP investments	2,806,298	-	-	-	2,806,298
Receivables:					
Property tax:					
Current year	53,912	5,932	-	3,387	63,231
Succeeding year	3,645,749	412,552	-	313,129	4,371,430
Income surtax - succeeding year	300,301	-	-	-	300,301
Due from other governments	156,012	-	154,727	-	310,739
Other receivables	5,371	-	-	2,086	7,457
Interfund receivable	-	-	-	27,406	27,406
ISCAP accrued interest receivable	7,472	-	-	-	7,472
Total assets	<u>\$ 7,782,883</u>	<u>452,620</u>	<u>746,875</u>	<u>711,662</u>	<u>9,694,040</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	-	4,355	1,746	6,101
Accrued salaries and benefits	1,042,599	-	-	-	1,042,599
ISCAP warrants payable	2,755,000	-	-	-	2,755,000
ISCAP accrued interest payable	57,637	-	-	-	57,637
Deferred revenue:					
Succeeding year property tax	3,645,749	412,552	-	313,129	4,371,430
Succeeding year income surtax	300,301	-	-	-	300,301
Federal programs	1,869	-	-	-	1,869
Total liabilities	<u>7,803,155</u>	<u>412,552</u>	<u>4,355</u>	<u>314,875</u>	<u>8,534,937</u>
Fund balances:					
Reserved for debt service	-	40,068	-	-	40,068
Reserved for capital projects	-	-	742,520	-	742,520
Reserved for categorical spending	36,645	-	-	-	36,645
Unreserved	(56,917)	-	-	396,787	339,870
Total fund balances	<u>(20,272)</u>	<u>40,068</u>	<u>742,520</u>	<u>396,787</u>	<u>1,159,103</u>
Total liabilities and fund balance:	<u>\$ 7,782,883</u>	<u>452,620</u>	<u>746,875</u>	<u>711,662</u>	<u>9,694,040</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 1,159,103
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however, it is shown as a revenue in the Statement of Net Activities.	300,301
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,347,559
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,901)
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Long-term liabilities, including bonds payable, capital leases payable, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds	\$ (400,000)	
Revenue bonds	(3,195,000)	
Early retirement	(19,399)	
Net OPEB liability	(43,641)	
Capital leases payable	<u>(121,830)</u>	<u>(3,779,870)</u>

Net assets of governmental activities (Exhibit A)	<u>\$ 6,025,192</u>
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JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenues</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 3,905,267	428,643	608,093	225,060	5,167,063
Tuition	809,701	-	-	-	809,701
Other	142,870	717	36,149	376,424	556,160
State sources	5,441,215	277	-	143	5,441,635
Federal sources	542,449	-	-	-	542,449
Total revenues	<u>10,841,502</u>	<u>429,637</u>	<u>644,242</u>	<u>601,627</u>	<u>12,517,008</u>
Expenditures:					
Instruction	<u>7,046,757</u>	-	-	<u>423,899</u>	<u>7,470,656</u>
Support services:					
Student services	400,229	-	-	-	400,229
Instructional staff services	200,084	-	-	-	200,084
Administration services	1,184,505	-	3,008	5,321	1,192,834
Operation and maintenance of plant services	970,174	-	16,187	53,308	1,039,669
Transportation services	457,139	-	128,541	17,685	603,365
	<u>3,212,131</u>	-	<u>147,736</u>	<u>76,314</u>	<u>3,436,181</u>
Non-instructional programs:					
Community service operations	10,000	-	-	-	10,000
Food service operations	-	-	-	3,368	3,368
	<u>10,000</u>	-	-	<u>3,368</u>	<u>13,368</u>
Other expenditures:					
Facilities acquisition and construction	-	-	976,445	-	976,445
Long-term debt:					
Principal	-	535,905	-	-	535,905
Interest	-	172,265	-	-	172,265
Services	-	500	-	-	500
AEA flowthrough	381,564	-	-	-	381,564
	<u>381,564</u>	<u>708,670</u>	<u>976,445</u>	-	<u>2,066,679</u>
Total expenditures	<u>10,650,452</u>	<u>708,670</u>	<u>1,124,181</u>	<u>503,581</u>	<u>12,986,884</u>

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenues</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	<u>191,050</u>	<u>(279,033)</u>	<u>(479,939)</u>	<u>98,046</u>	<u>(469,876)</u>
Other financing sources (uses):					
Proceeds from capital leases	-	-	121,830	-	121,830
Operating transfers in	-	280,121	-	-	280,121
Operating transfers out	-	-	<u>(280,121)</u>	-	<u>(280,121)</u>
	<u>-</u>	<u>280,121</u>	<u>(158,291)</u>	<u>-</u>	<u>121,830</u>
Net change in fund balances	191,050	1,088	(638,230)	98,046	(348,046)
Fund balances beginning of year	<u>(211,322)</u>	<u>38,980</u>	<u>1,380,750</u>	<u>298,741</u>	<u>1,507,149</u>
Fund balances end of year	<u>\$ (20,272)</u>	<u>40,068</u>	<u>742,520</u>	<u>396,787</u>	<u>1,159,103</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ (348,046)

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. This represents the change in income surtax receivable from FY08 to FY09. 45,419

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 933,997	
Depreciation expense	<u>(453,355)</u>	480,642

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(121,830)	
Repayments	<u>535,905</u>	414,075

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(13,802)	
Other postemployment benefits	<u>(43,641)</u>	(57,443)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 453

Change in net assets of governmental activities (Exhibit B) \$ 535,100

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2009

	<u>School Nutrition</u>	<u>Industrial Technology Construction</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 51,232	-	51,232
Other receivables	6,725	-	6,725
Inventories	1,359	261,976	263,335
Capital assets, net of accumulated depreciation	<u>39,249</u>	-	<u>39,249</u>
Total assets	<u>98,565</u>	<u>261,976</u>	<u>360,541</u>
Liabilities			
Accounts payable	14,451	-	14,451
Interfund payable	-	<u>27,406</u>	<u>27,406</u>
Total liabilities	<u>14,451</u>	<u>27,406</u>	<u>41,857</u>
Net assets			
Invested in capital assets, net of related debt	39,249	-	39,249
Unrestricted	<u>44,865</u>	<u>234,570</u>	<u>279,435</u>
Total net assets	<u>84,114</u>	<u>234,570</u>	<u>318,684</u>
Total net assets	<u>\$ 98,565</u>	<u>261,976</u>	<u>360,541</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	<u>School Nutrition</u>	<u>Industrial Technology Construction</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 223,667	89,593	313,260
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	162,493	-	162,493
Benefits	24,367	-	24,367
Services	8,860	-	8,860
Supplies	284,266	-	284,266
Depreciation	8,119	-	8,119
	<u>488,105</u>	<u>-</u>	<u>488,105</u>
Other enterprise operations:			
Other	-	27,683	27,683
	<u>-</u>	<u>27,683</u>	<u>27,683</u>
Total operating expenses	<u>488,105</u>	<u>27,683</u>	<u>515,788</u>
Operating income (loss)	<u>(264,438)</u>	<u>61,910</u>	<u>(202,528)</u>
Non-operating revenues:			
Interest on investments	449	-	449
State sources	6,177	-	6,177
Federal sources	278,434	-	278,434
	<u>285,060</u>	<u>-</u>	<u>285,060</u>
Change in net assets	20,622	61,910	82,532
Net assets beginning of year	<u>63,492</u>	<u>172,660</u>	<u>236,152</u>
Net assets end of year	<u>\$ 84,114</u>	<u>234,570</u>	<u>318,684</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	<u>School Nutrition</u>	<u>Industrial Technology Construction</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of services	\$ 218,158	89,593	307,751
Cash payments to employees for services	(186,860)	-	(186,860)
Cash payments to suppliers for goods or services	(249,023)	(186,026)	(435,049)
Net cash (used by) operating activities	<u>(217,725)</u>	<u>(96,433)</u>	<u>(314,158)</u>
Cash flows from non-capital financing activities:			
State grants received	6,177	-	6,177
Federal grants received	255,081	-	255,081
Net cash provided by non-capital financing activities	<u>261,258</u>	<u>-</u>	<u>261,258</u>
Cash flows from capital financing activities:			
Acquisition of capital assets	(12,249)	-	(12,249)
Cash flows from investing activities:			
Interest on investments	449	-	449
Net increase (decrease) in cash and cash equivalents	31,733	(96,433)	(64,700)
Cash and cash equivalents beginning of year	19,499	96,433	115,932
Cash and cash equivalents end of year	<u>\$ 51,232</u>	<u>-</u>	<u>51,232</u>
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (264,438)	61,910	(202,528)
Adjustments to reconcile operating income (loss) to net cash (used by) operating activities:			
Depreciation	8,119	-	8,119
Commodities used	23,353	-	23,353
(Increase) in other receivables	(5,509)	-	(5,509)
Decrease(increase) in inventory	6,700	(185,749)	(179,049)
Increase in accounts payable	14,050	-	14,050
Increase in interfund payable	-	27,406	27,406
	<u>\$ (217,725)</u>	<u>(96,433)</u>	<u>(314,158)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$23,353.

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2009

	<u>Flex Spending Fund</u>
Assets	
Cash	\$ <u>4,871</u>
Total assets	<u>4,871</u>
Net Assets	
Reserved for flex spending	<u>\$ <u>4,871</u></u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2009

	<u>Flex Spending Fund</u>
Additions:	
Local sources:	
Miscellaneous	\$ 74,598
Deductions:	
Regular instruction:	
Benefits	<u>73,950</u>
Change in net assets	648
Net assets beginning of year	<u>4,223</u>
Net assets end of year	<u><u>\$ 4,871</u></u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

Jefferson-Scranton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Jefferson and Scranton, Iowa, and agricultural territory in Greene County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Jefferson-Scranton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Jefferson-Scranton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Greene County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Enterprise, School Nutrition and Industrial Technology Construction Funds. These funds are used to account for the food service operation and student built house project of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Flex Benefits account which accounts for amounts withheld from employee wages and are used to pay medical expenses. No District monies are included in this fund.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Nutrition Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The principal operating revenue and expenses of the Industrial Technology Construction Fund are related to the construction of a new house each school year. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget by April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Accrued Salaries and Benefits - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, as well federal program revenues that will not be spent until succeeding fiscal years.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amended amounts budgeted in any of the four functions. The District exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$542,869</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 69,762	-	-	69,762
Capital assets being depreciated:				
Improvements other than buildings	635,306	-	-	635,306
Buildings	9,256,627	2,559,223	-	11,815,850
Construction in progress	1,908,544	-	1,908,544	-
Furniture and Equipment	3,759,817	283,318	173,960	3,869,175
Total capital assets being depreciated	15,560,294	2,842,541	2,082,504	16,320,331
Less accumulated depreciation for:				
Improvements other than buildings	461,218	31,765	-	492,983
Buildings	4,472,263	229,433	-	4,701,696
Furniture and Equipment	2,829,658	192,157	173,960	2,847,855
Total accumulated depreciation	7,763,139	453,355	173,960	8,042,534
Total capital assets being depreciated, net	7,797,155	2,389,186	1,908,544	8,277,797
Governmental activities, capital assets, net	\$ 7,866,917	2,389,186	1,908,544	8,347,559
Business type activities				
Furniture and Equipment	\$ 123,368	12,249	25,921	109,696
Less accumulated depreciation	88,249	8,119	25,921	70,447
Business type activities capital assets, net	\$ 35,119	4,130	-	39,249
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 453,355
Business type activities:				
Food service operations				\$ 8,119

(4) Bonds Payable

Details of the District's June 30, 2009 bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 1993			
	Rates	Interest	Principal	Total
2010	4.00-4.125	\$12,250	400,000	412,250

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members were required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$394,350, \$398,557, and \$363,653 respectively, equal to the required contributions for each year.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$381,564 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	Capital Lease Payable	General Obligation Bonds	Early Retirement	Revenue Bonds	Total
Balance beginning of year	\$135,905	800,000	5,597	3,195,000	4,136,502
Additions	121,830	-	19,399	-	141,229
Reductions	<u>135,905</u>	<u>400,000</u>	<u>5,597</u>	-	<u>541,502</u>
Balance end of year	<u>\$121,830</u>	<u>400,000</u>	<u>19,399</u>	<u>3,195,000</u>	<u>3,736,229</u>

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the unused personal illness days (90 day maximum) times the current substitute teacher pay rate. Early retirement benefits paid during the year ended June 30, 2009 totaled \$5,597.

(9) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investment	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 790,884	7,223	771,000	18,551
2009-10A	6/25/09	6/23/10	<u>2,015,414</u>	<u>249</u>	<u>1,984,000</u>	<u>39,086</u>
Total			<u>\$2,806,298</u>	<u>7,472</u>	<u>2,755,000</u>	<u>57,637</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2008-09A	\$ -	650,000	650,000	-
2008-09B	-	1,040,000	1,040,000	-
	\$ <u>-</u>	<u>1,690,000</u>	<u>1,690,000</u>	<u>-</u>

The warrants bear interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(10) Risk Management

Jefferson-Scranton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Capital Leases

The District has a lease for the purchase of school buses that requires three annual payments of \$64,043. The first payment was made in fiscal year 2009 and will be paid off in fiscal year 2011.

(12) Revenue Bonds

In November 2007, the District approved the sale of \$3,195,000 of School Infrastructure Sales and Services Tax Revenue Bonds. Proceeds will be used for additions and improvements to existing facilities. Principal and interest will be paid from proceeds of the one cent sales tax for schools.

Details of the District's June 30, 2009 revenue bonds are as follow:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	3.60 %	\$ 100,000	127,770	227,770
2011	3.65	180,000	122,685	302,685
2012	3.75	190,000	115,838	305,838
2013	3.85	200,000	108,425	308,425
2014	3.90	210,000	100,480	310,480
2015-2019	3.95-4.15	1,180,000	367,167	1,547,167
2020-2023	4.20-4.35	<u>1,135,000</u>	<u>100,265</u>	<u>1,235,265</u>
Total		<u>\$3,195,000</u>	<u>1,042,630</u>	<u>4,237,630</u>

The District has pledged future statewide sales and services tax revenues to repay the \$3,195,000 bonds issued in December 2007. The bonds were issued for the purpose of financing a portion of the costs of remodeling. The bonds are payable solely from the proceeds of the local option sales and service tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$4,237,630. For the current year \$0 of principal and \$140,368 of the interest was paid on the bonds and total statewide sales and services tax revenues were \$608,093.

The resolution providing for the issuance of the local option and services tax revenue bonds includes the following provisions:

- a) \$317,464 of the proceeds from the issuance of the revenue bonds are deposited in a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year. The balance of this account at June 30, 2009 was \$165,688.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District has complied with all of the revenue bond provisions during the year ended June 30, 2009.

(13) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Student Activity	Industrial Technology Construction	<u>\$27,406</u>

The Student Activity Fund loaned the Industrial Technology Construction Fund \$27,406 in order to pay for expenses incurred in the construction of a new house. This will be repaid upon sale of the house.

(14) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$280,121</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(15) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 149 active and 10 retired members in the plan. Participants must be age 55 or older at retirement. 49 active participants have declined the current plan coverage. All are included in this valuation.

The medical drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$43,641
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	<u>43,641</u>
Contributions made	-
Increase in net OPEB obligation	<u>43,641</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$43,641</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$43,641	0.00%	\$43,641

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$528,733, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$528,733. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,982,000 and the ratio of the UAAL to covered payroll was 7.6%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. A zero employee turnover rate is assumed.

No benefit continuation is assumed post the age of 65. Due to the actuarial cost method selected, benefits are not related to salary levels.

(16) Commitment

In September 2009, the District entered into a contract for resurfacing the track at a cost of \$94,212.

Required Supplementary Information

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues:								
Local sources	\$ 6,532,924		313,709		6,846,633	7,194,679	7,194,679	(348,046)
State sources	5,441,635		6,177		5,447,812	5,517,409	5,517,409	(69,597)
Federal sources	542,449		278,434		820,883	257,000	257,000	563,883
Total revenues	<u>12,517,008</u>		<u>598,320</u>		<u>13,115,328</u>	<u>12,969,088</u>	<u>12,969,088</u>	<u>146,240</u>
Expenditures/Expenses:								
Instruction	7,470,656		-		7,470,656	7,089,200	7,525,000	54,344
Support services	3,436,181		27,683		3,463,864	3,682,300	3,682,300	218,436
Non-instructional programs	13,368		488,105		501,473	645,000	645,000	143,527
Other expenditures	2,066,679		-		2,066,679	2,117,905	2,600,000	533,321
Total expenditures/expenses	<u>12,986,884</u>		<u>515,788</u>		<u>13,502,672</u>	<u>13,534,405</u>	<u>14,452,300</u>	<u>949,628</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(469,876)		82,532		(387,344)	(565,317)	(1,483,212)	1,095,868
Other financing sources (uses)	<u>121,830</u>		-		<u>121,830</u>	-	-	<u>121,830</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(348,046)		82,532		(265,514)	(565,317)	(1,483,212)	1,217,698
Balances beginning of year	<u>1,507,149</u>		<u>236,152</u>		<u>1,743,301</u>	<u>1,919,112</u>	<u>1,919,112</u>	<u>175,811</u>
Balances end of year	<u>1,159,103</u>		<u>318,684</u>		<u>1,477,787</u>	<u>1,353,795</u>	<u>435,900</u>	<u>1,041,887</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$917,895

During the year ended June 30, 2009, expenditures did not exceed the amended amounts budgeted in any of the four functions, however the District exceeded its General Fund unspent authorized budget.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Jul 1, 2008	\$0	\$529	\$529	0.0%	\$6,982	7.6%

See Note 15 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 100,509	265,145	-	365,654
Property tax receivable:				
Current year	3,387	-	-	3,387
Succeeding year	225,000	-	88,129	313,129
Interfund receivable	-	27,406	-	27,406
Other receivables	-	2,086	-	2,086
Total assets	\$ 328,896	294,637	88,129	711,662
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,746	-	-	1,746
Deferred revenue:				
Succeeding year property tax	225,000	-	88,129	313,129
	226,746	-	88,129	314,875
Unreserved fund balances	102,150	294,637	-	396,787
Total liabilities and fund balances	\$ 328,896	294,637	88,129	711,662

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 225,060	-	225,060
Other	20,668	355,756	376,424
State sources	143	-	143
Total revenues	<u>245,871</u>	<u>355,756</u>	<u>601,627</u>
Expenditures:			
Instruction	92,767	331,132	423,899
Support services:			
Administration services	5,321	-	5,321
Plant operation and maintenance	53,308	-	53,308
Student transportation	17,685	-	17,685
Non-instructional programs			
Food service operations	<u>3,368</u>	<u>-</u>	<u>3,368</u>
Total expenditures	<u>172,449</u>	<u>331,132</u>	<u>503,581</u>
Excess of revenues over expenditures	73,422	24,624	98,046
Fund balances beginning of year	<u>28,728</u>	<u>270,013</u>	<u>298,741</u>
Fund balances end of year	<u>\$ 102,150</u>	<u>294,637</u>	<u>396,787</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary Activities:				
Elementary Library	452	2,775	2,311	916
Elementary Student Fund	6,154	11,398	16,142	1,410
Elementary Playground	105	4,349	2,422	2,032
Elementary Field Trip	509	-	596	(87)
Elementary Instrumental Music	992	2,040	1,360	1,672
Fifth Grade Snack Shop	242	401	292	351
District Wide Nurse Emergency Fund	714	400	309	805
	<u>9,168</u>	<u>21,363</u>	<u>23,432</u>	<u>7,099</u>
Middle School:				
Middle School Library	3	-	-	3
Middle School Music	500	2,165	2,406	259
Middle School Student Fund	10,646	38,992	38,974	10,664
Middle School Treat Cart	500	4,977	3,828	1,649
Middle School Yearbook	3,869	725	1,906	2,688
	<u>15,518</u>	<u>46,859</u>	<u>47,114</u>	<u>15,263</u>
Athletics:				
Baseball	1,954	6,104	8,058	-
Baseball Fundraiser	-	3,990	1,097	2,893
Boys Basketball	4,866	5,912	5,721	5,057
Boys Basketball Fundraiser	-	1,228	1,228	-
Boys Golf	-	1,486	1,486	-
Boys Track	3,110	1,978	3,979	1,109
Boys Track Fundraiser	-	2,446	1,849	597
Cheerleaders	4,452	7,581	9,077	2,956
Cheerleaders Fundraiser	-	1,593	375	1,218
Cross Country	2,174	1,745	821	3,098
Football	22,604	24,180	25,787	20,997
Girls Basketball	5,898	12,408	14,664	3,642
Girls Basketball Fundraiser	-	10,231	8,131	2,100
Girls Golf	-	957	957	-
Girls Golf Fundraiser	-	1,039	1,039	-
Girls Track	977	1,625	2,602	-
Girls Track Fundraiser	-	453	453	-
Miscellaneous Athletic Activity	-	11,425	11,425	-
Softball	44	3,287	2,521	810
Softball Fundraiser	-	3,172	945	2,227
Tournaments	324	9,994	9,015	1,303
Volleyball	311	16,062	11,420	4,953
Wrestling	-	4,580	4,433	147
Wrestling Fundraiser	-	42	-	42
	<u>46,714</u>	<u>133,518</u>	<u>127,083</u>	<u>53,149</u>
Athletic Fundraisers	<u>91,565</u>	<u>38,638</u>	<u>31,019</u>	<u>99,184</u>

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School Clubs/Organizations:				
Art Club	593	1,773	1,841	525
Business Professional of America	1,245	182	252	1,175
Drama	444	-	-	444
Fashion Club	1,111	3,531	3,836	806
FFA	2,643	13,444	13,411	2,676
French Club	2,296	6,493	4,016	4,773
Pep Club	-	716	412	304
FCCLA	50	632	336	346
Instrumental Music	951	9,705	9,268	1,388
International Club	444	-	444	-
Pre-school Home Economics	1,324	2,426	3,758	(8)
Ram Restaurant	2,853	27,539	23,151	7,241
Juvenile Court Program	143	-	-	143
Spanish Club	6,269	11,274	11,007	6,536
Speech	2,419	145	1,297	1,267
VICA Club	(1,822)	2,998	3,141	(1,965)
Debate Club	477	-	115	362
Vocal Music	2,018	14,041	13,829	2,230
Yearbook	(3,248)	3,335	5,331	(5,244)
Flags	660	74	138	596
Ram Trolley	4,090	1,645	1,654	4,081
	<u>24,960</u>	<u>99,953</u>	<u>97,237</u>	<u>27,676</u>
High School Activities:				
HSTW Literacy Committee	1,147	1,027	1,041	1,133
IJAG	(61)	-	-	(61)
Industrial Technology Donations	(37)	1,667	1,486	144
Industrial Students	(7,821)	13,806	11,201	(5,216)
Physics Club	124	-	-	124
High School Library Memorial	35	51	13	73
Senior High Student Council	4,095	4,401	4,232	4,264
National Honor Society	377	1,917	1,755	539
	<u>(2,141)</u>	<u>22,869</u>	<u>19,728</u>	<u>1,000</u>
Graduating Class:				
Class of 2009	699	306	678	327
Class of 2010	1,305	3,933	4,430	808
Class of 2011	-	500	68	432
Class of 2012	-	-	19	(19)
	<u>2,004</u>	<u>4,739</u>	<u>5,195</u>	<u>1,548</u>
Miscellaneous Funds	<u>4,436</u>	<u>1,020</u>	<u>1,146</u>	<u>4,310</u>

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Concessions:				
Elementary Concession	1,553	661	1,672	542
Middle School Concession	489	614	797	306
High School Concession	652	5,681	5,712	621
	<u>2,694</u>	<u>6,956</u>	<u>8,181</u>	<u>1,469</u>
Interest Income	<u>75,095</u>	<u>10,407</u>	<u>1,563</u>	<u>83,939</u>
	270,013	386,322	361,698	294,637
Interaccount transfers		<u>(30,566)</u>	<u>(30,566)</u>	
Totals	<u>270,013</u>	<u>355,756</u>	<u>331,132</u>	<u>294,637</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:									
Local sources:									
Local tax	\$ 5,167,063	4,705,893	4,737,618	4,571,222	4,369,020	4,207,481	4,261,246	4,059,276	3,640,148
Tuition	809,701	824,953	698,915	656,603	702,194	728,523	577,819	451,174	407,673
Other	556,160	624,377	487,481	521,277	470,621	463,421	439,772	426,745	456,535
State sources	5,441,635	5,227,346	5,001,267	4,967,550	4,920,787	4,601,164	4,930,883	4,991,474	5,233,753
Federal sources	542,449	431,318	292,548	369,102	430,901	421,010	400,449	273,390	289,945
Total	\$ 12,517,008	11,813,887	11,217,829	11,085,754	10,893,523	10,421,599	10,610,169	10,202,059	10,028,054
Expenditures:									
Instruction	\$ 7,470,656	7,218,916	6,848,967	6,904,128	6,645,489	6,628,501	6,256,739	6,285,355	6,170,247
Support services:									
Student	400,229	387,533	369,226	356,926	368,797	431,009	401,734	372,807	360,796
Instructional staff	200,084	223,720	158,277	167,782	549,337	475,930	483,592	463,454	522,792
Administration	1,192,834	1,226,876	1,149,767	1,111,324	775,419	738,984	706,644	659,772	631,827
Operation and maintenance of plant	1,039,669	1,040,793	1,113,984	1,082,224	983,789	925,616	871,544	835,496	936,059
Transportation	603,365	563,779	707,326	545,068	419,212	400,942	451,991	385,193	355,793
Non-instructional programs	13,368	12,970	10,000	10,250	10,707	10,000	10,510	10,305	10,264
Other expenditures:									
Facilities acquisition	976,445	2,401,121	436,953	291,613	345,363	213,019	285,455	348,849	212,053
Debt service:									
Principal	535,905	502,671	513,030	452,526	408,113	410,538	344,038	304,038	409,038
Interest and services	172,765	49,883	61,916	68,985	80,526	89,723	120,795	158,430	171,000
AEA flowthrough	381,564	361,752	353,856	344,408	343,759	347,828	376,669	379,907	400,554
Total	\$ 12,986,884	13,990,014	11,723,302	11,335,234	10,930,511	10,672,090	10,309,711	10,203,606	10,180,423

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY09	\$ 56,217
Food Distribution (non-cash)	10.555	FY09	23,353
National School Lunch Program	10.555	FY09	198,864
			<u>278,434</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3195-G-09	166,990
ARRA - Title I Grants to Local Educational Agencies Recovery Act			
	84.389	FY09	20,415
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act			
	84.394	FY09	87,456
Safe and Drug-Free Schools and Communities - States Grants			
	84.186	FY09	3,990
Grants for Assessments and Related Activities			
	84.369	FY09	7,183
Improving Teacher Quality - States Grants			
	84.367	FY09	50,003
Vocational Education - Basic Grants to States			
	84.048	FY09	17,652
Prairie Lakes Area Education Agency 8			
Special Education - Grants to States (IDEA Part B)	84.027	FY09	56,912
School Improvement Grants, Recovery Act			
	84.388	FY09	4,000
ARRA - Special Education - Grants to States - Recovery Act			
	84.391	FY09	<u>30,939</u>
Total			<u>\$ 723,974</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Jefferson-Scranton Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Board of Education of
Jefferson-Scranton Community School District:

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Jefferson-Scranton Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Jefferson-Scranton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Jefferson-Scranton Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Jefferson-Scranton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Jefferson-Scranton Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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bruce@frinkcpa.com

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Jefferson-Scranton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson-Scranton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Jefferson-Scranton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Jefferson-Scranton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jefferson-Scranton Community School District and other parties to whom Jefferson-Scranton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Jefferson-Scranton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

November 12, 2009

BRUCE D. FRINK
Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Jefferson-Scranton Community School District:

Compliance

We have audited the compliance of Jefferson-Scranton Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Jefferson-Scranton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Jefferson-Scranton Community School District's management. Our responsibility is to express an opinion on Jefferson-Scranton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson-Scranton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson-Scranton Community School District's compliance with those requirements.

In our opinion Jefferson-Scranton Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of Jefferson-Scranton Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Jefferson-Scranton Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over compliance.

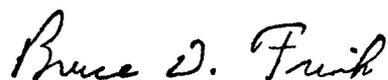
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Jefferson-Scranton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Jefferson-Scranton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jefferson-Scranton Community School District and other parties to whom Jefferson-Scranton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

November 12, 2009

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund Education State Grants, Recovery ActSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jefferson-Scranton Community School District did not qualify as a low-risk auditee.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-09 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

CFDA Number: 84.394 ARRA State Fiscal Stabilization Fund Education State
Grants, Recovery Act

Federal Award Year: 2009

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program
10.555 National School Lunch Program

Federal Award Year: 2009

US Department of Agriculture

Passed through Iowa Department of Education

III-A-09 Segregation of Duties - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response and Corrective Action Planned - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, did not exceed the amended certified budget amounts in any of the four functions. The District exceeded its unspent authorized budget for the year ended June 30, 2009 by approximately \$260,000.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the unspent authorized budget issue.

Response - We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion - Response accepted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

IV-B-09 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Pedersen Pedersen Sod Co. Board member	Sod	\$2,000

In accordance with Chapter 279.7A of the Code of Iowa these transactions do not appear to represent conflicts of interest since they total less than \$2,500 for the fiscal year.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-09 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-09 Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.

IV-H-09 Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-09 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ -
Statewide sales and services tax revenue	608,093
Expenditures/transfers out:	
School infrastructure:	
Other improvements	<u>608,093</u>
Ending balance	\$ <u> -</u>

IV-L-09 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The HSTW Literacy Committee, Industrial Technology and Industrial Students accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Recommendation - The District should review and reclassify these accounts to the appropriate fund in accordance with the guidelines.

Response - We have reviewed the activity in the accounts and will reclassify the accounts to the General Fund.

Conclusion - Response accepted.

IV-M-09 Deficit Balance - Several student activity accounts had deficit balances at June 30, 2009. The General Fund had a deficit balance of \$20,272 at June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the General Fund and student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.